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Romania's Oil Trade Relationships with
Libya and the United States

Summary

Largely because of its need for crude oil, Romania has promoted economic relations with Libya in recent years. Romania provides construction services and oilfield exploration and development. Romania also pays cash and barter military equipment for oil. We estimate that Bucharest's imports of Libyan-origin crude oil in 1986 will amount to about 50,000 b/d, or 15-20 percent of its total crude oil imports. Romania also imports substantial amounts from the USSR, Iran, Iraq, Syria, Kuwait, Algeria, Egypt, and China. Drawing upon these imports in addition to its domestic production of 200,000-240,000 b/d, Romania produces about 400,000-500,000 b/d of refined petroleum products annually, of which it exports about 200,000 b/d. In 1984 the United States imported 37,000 b/d and 33,285 b/d in 1985 of refined products from Romania. If current trends continue, US imports could reach more than 40,000 b/d this year.

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The Oil Issue in a Political Context

Romania has a long standing trade relationship with Libya based primarily on Romania's interest in crude oil. Economic relations with Libya became even more important to Romania after the outbreak of the Iraq-Iran war, which sharply reduced oil imports from those two countries. Although political differences have arisen with Libya over Romanian support for moderate Arab states such as Egypt and continued diplomatic relations with Israel, they have not impeded what both sides consider mutually beneficial economic relations. Romanian visitors to Libya between the spring of 1985 and June of this year have included President Ceausescu, one of his closest advisers, and the Romanian Minister of Foreign Trade. Last summer the two countries signed an ambitious five-year economic, scientific, and technical cooperation agreement. Following the US airstrikes against Libya in April, Romania, in a departure from its usual practice, publicly criticized the United States. [REDACTED]

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Details of Romania's Oil Trade

Romanian trade with Libya has amounted to approximately \$200-\$300 million in recent years, roughly equivalent to Bucharest's trade with Greece or Yugoslavia and about one-fourth of total trade with the United States. Direct Romanian liftings of Libyan oil have been running at about 20,000 to 40,000 b/d annually in recent years. In addition, some Libyan oil has been shipped to Romania on Soviet account. We estimate that direct Romanian liftings will amount to about 20,000 b/d this year, with another 30,000 b/d shipped on Soviet account. If total Romanian imports of crude remain at last year's 294,000 b/d, Libyan origin oil would account for 15 to 20 percent of imported oil. [REDACTED]

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Romania pays for Libyan crude with cash, military equipment, and services. Oilfield exploration, development, and maintenance are among the most important services provided by Romania. Romanian firms own and operate about 5 oil rigs in Libya. The Romanians are also involved in the construction of schools, residences, highways, a port, and, possibly, a canal. [REDACTED]

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[REDACTED] Bucharest is also trying to obtain crude as repayment for some \$65 million in overdue credits owed by Libya. [REDACTED]

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Romania also imports oil from Iran, Iraq, Syria, Kuwait, Algeria, Egypt, China, and the USSR. Most of its imported oil--ranging between 220,000-300,000 b/d in recent years--arrives by tanker at the Black Sea port of Constanta, but some may arrive at the Danube ports of Galati and Braila. With 12 oil refineries (Table 1) and several ports in Romania, Libyan oil is probably mixed with crude from other sources. We have no hard information on this issue, however. [REDACTED]

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Domestic production of crude oil in Romania has been 220,000 to 240,000 b/d in recent years. Drawing upon this production and imports of crude oil, Romania produces about 400,000 to 500,000 b/d of refined products annually. Romania exported some 200,000 b/d annually in 1984 and 1985. Of this; the United States imported 37,000 b/d in 1984 valued at \$514 million and 33,285 b/d in 1985 valued at \$458 million. If current trends continue, US imports could reach more than 40,000 b/d this year. Gasoline and other light oils are the major petroleum product imports (Table 2).

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Problems with Certificates of Origin

Romania would be reluctant to forego either Libyan oil or US export markets because much of Libyan oil is paid for on a barter basis, thus conserving much-needed hard currency, and because most refined oil exports to the United States earn hard currency. Romania could probably isolate Libyan-source oil from products exported to the United States if it chose to do so, but this would be costly and Romania would probably regard such a request as unwarranted interference in its domestic affairs. If forced to choose between exports to the United States and imports from Libya, Romania would probably preserve its Libyan oil supply. Finding other hard currency markets for refined oil products would likely prove easier than finding other sources of crude oil on a barter basis. After much initial protest, however, Romania might accede to the United States request to provide certificates of origin for crude used in products exported to the United States, knowing that verification of these certificates would prove difficult even if US officials had some access to refineries. In view of the recent Romanian campaign to restrict access of foreign nationals to industrial enterprises, we think the regime would be unlikely to allow any US inspection of oil transport systems or refineries.

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TABLE 1

Romanian Oil Refineries

<u>Plant Name</u>	<u>Location</u>
Brasov Petroleum Refinery	Brasov
Cimpina Petroleum Refinery	Cimpina
Darmanesti Petroleum Refinery	30 kw west-northwest of the city of Ploiesti
Gheorghe Gheorghiu Dej Petroleum Refinery (also known as Onesti Petroleum Refinery or Borzesti Petroleum Refinery)	5 km north of Onesti
Navodari Petroleum Refinery	Navodari
Pitesti Petroleum Refinery	Pitesti
Ploiesti Petroleum Refinery Bazi Creditul Minier	Ploiesti
Ploiesti Petroleum Refinery Columbia Aquila	Ploiesti
Ploiest Petroleum Refinery Concordia Vega	Ploiesti
Ploiesti Petroleum Refinery No. 1	Ploiesti
Ploiesti Petroleum Refinery Teleajen	Ploiesti
Suplacu De Barcau Petroleum Refinery	Northwest corner of Romania near the Hungarian border, 375 km northwest of Ploiesti

TABLE 2

US Imports of Refined Petroleum Products From Romania, 1983-85

	<u>Barrels/</u> <u>1983</u> <u>Value*</u>	<u>Barrels/</u> <u>1984</u> <u>Value*</u>	<u>Barrels/</u> <u>1985</u> <u>Value*</u>
	<u>Day</u>	<u>Day</u>	<u>Day</u>
TOTAL	19,601 294,837	37,008 513,983	33,285 458,365
Gasoline and other light oils	15,379 243,559	27,538 382,667	15,797 215,748
Distillate fuels	2,910 38,088	1,126 14,391	1 2
Residual fuel oils	1,312 13,190	1,121 11,672	3,121 29,243
Lubricating oils and grease	NA NA	7,223 105,253	14,366 213,372

*Thousand \$US

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**SUBJECT: Romania's Oil Trade Relationship with Libya and the
United States**

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